

***IV. The Fairness Opinion***

On November 20, 2001, CSFB advised the Board of Directors of CareFirst that, as of that date and subject to the assumptions, limitations and qualifications set forth in its written opinion, the aggregate consideration of \$1.3 billion to be received by the CareFirst stockholders in the transaction with WellPoint was fair to the CareFirst stockholders from a financial point of view.

Respectfully submitted,

Stuart F. Smith, Managing Director  
Credit Suisse First Boston Corporation

March 4, 2002

EXHIBIT

November 20, 2001

Board of Directors  
CareFirst, Inc.  
10455 Mills Run Circle  
Owings Mill, MD 21117

Members of the Board:

You have asked us to advise you with respect to the fairness from a financial point of view to the holders of CareFirst, Inc. (the "Company") common stock ("Company Common Stock") immediately prior to the Merger (as defined below) of the Merger Consideration (as defined below) to be received by such holders pursuant to the terms of the Agreement and Plan of Merger, dated as of November 20, 2001 (the "Merger Agreement"); by and among WellPoint Health Networks Inc. ("WellPoint" or the "Acquiror"), the Company and CF Acquisition Corp. (the "Sub"). The Merger Agreement provides for the merger (the "Merger") of the Company with the Sub pursuant to which the Company will become a wholly owned subsidiary of the Acquiror and the holders of Company Common Stock, will receive an aggregate of \$1.3 billion, which shall consist of common stock of WellPoint and cash, and in defined circumstances, subordinated notes of WellPoint, as set forth in the Merger Agreement (the "Merger Consideration"). We note that the Company is currently a not-for-profit, non-stock corporation that will be converted into a for-profit, Maryland corporation immediately prior to the Merger (the "Conversion").

In arriving at our opinion, we have reviewed certain business and financial information relating to the Company and the Acquiror as well as the Merger Agreement. We have also reviewed certain other information, including financial forecasts, provided to us by the Company and the Acquiror, and have met with the Company's and the Acquiror's managements to discuss the business and prospects of the Company and the Acquiror.

We have also considered certain financial data of the Company and financial and stock market data of the Acquiror and we have compared those data with similar data for publicly held companies in businesses similar to the Company and the Acquiror and we have considered the financial terms of certain other business combinations and other transactions which have recently been effected. We also considered such other information, financial studies, analyses and investigations and financial, economic and market criteria which we deemed relevant.

In connection with our review, we have not assumed any responsibility for independent verification of any of the foregoing information and have relied on its being complete and accurate in all material respects. With respect to the financial forecasts, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the Company's and the Acquiror's managements as to the future financial performance of the Company and the Acquiror, respectively. We have also assumed, with your consent, that in the course of obtaining necessary regulatory and third party approvals and

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consents for the Merger, no delay, limitation, restriction or condition will be imposed that will have a material adverse effect on the Company, the Acquiror or the contemplated benefits of the Merger. In addition, we have not been requested to make, and have not made, an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of the Company or the Acquiror, nor have we been furnished with any such evaluations or appraisals. Our opinion is necessarily based upon information available to us and financial, economic, market and other conditions as they exist and can be evaluated on the date hereof. We are not expressing any opinion as to the prices at which the Acquiror's common stock or subordinated notes will trade at any time. In addition, our opinion is limited to the fairness to the holders of the Company Common Stock of the Merger Consideration in the aggregate, and we express no opinion regarding the Conversion or as to the allocation of the Merger Consideration among the stockholders. Our opinion does not address the relative merits of the Merger as compared to other business strategies that might be available to the Company, nor does it address the underlying business decision of the Company to engage in the Merger. In connection with our engagement, we approached third parties to solicit indications of interest in a possible acquisition of the Company and held discussions with certain of these parties prior to the date hereof.

We have acted as financial advisor to the Company in connection with the Merger and will receive a fee for our services, a significant portion of which is contingent upon the consummation of the Merger. We will also receive a fee for rendering this opinion.

We have in the past provided, and may in the future provide, investment banking and financial services to the Acquiror for which we have received and expect to receive compensation.

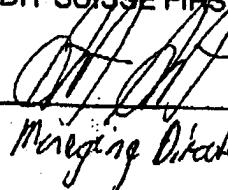
In the ordinary course of our business, we and our affiliates may actively trade the debt and equity securities of the Acquiror for our and such affiliates' own accounts and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

It is understood that this letter is solely for the information of the Board of Directors in connection with its consideration of the Merger, and this opinion may not be disclosed without our prior written consent.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Merger Consideration is fair from a financial point of view to the holders of the Company Common Stock immediately prior to the Merger.

Very truly yours,

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By: 

*Managing Director*

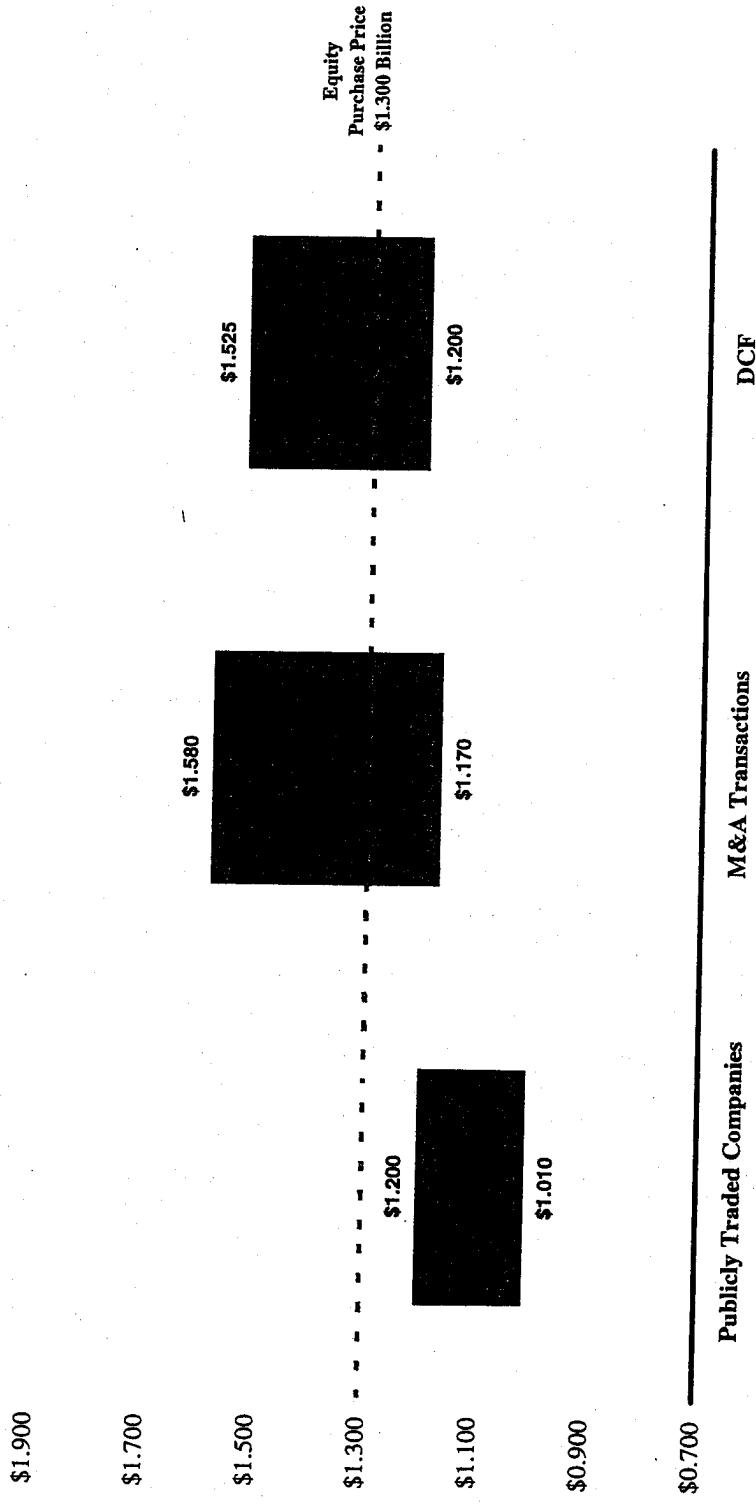
# VALUATION ANALYSIS

# OVERVIEW OF VALUATION METHODOLOGIES

CSFB considered the following methodologies in its valuation of Chesapeake

Valuation Methods Considered	Comments/Applicability
<b>Comparison of Selected Publicly Traded Companies</b>	► Comparison of the multiples implied by Pacific's proposed acquisition of Chesapeake to the trading multiples of comparable publicly traded managed care companies and a calculation of an implied valuation range for Chesapeake based on these comparables
<b>Comparison of Selected Merger and Acquisition Transactions</b>	► Comparison of the multiples implied by Chesapeake to the multiples of selected managed care transactions and a calculation of an implied valuation range for Chesapeake based on two particularly relevant transactions, the acquisition of Cerulean Companies, Inc. by WellPoint Health Networks Inc. and the pending acquisition of RightCHOICE Managed Care, Inc. by WellPoint Health Networks Inc.
<b>Discounted Cash Flow Analysis</b>	► Calculation of an implied valuation range for Chesapeake based on the present values of future cash flows, under various terminal values and discount rate assumptions, using Chesapeake management's projections and CSFB estimates

# VALUATION SUMMARY



# COMPARABLE PUBLIC COMPANIES ANALYSIS OVERVIEW

<b>Methodology</b>	<ul style="list-style-type: none"> <li>► To determine the value of Chesapeake using the current trading multiples of comparable publicly-traded managed care companies</li> </ul>
<b>Company Selection</b>	<ul style="list-style-type: none"> <li>► CSFB segregated the comparable company universe as follows:           <ul style="list-style-type: none"> <li>- Large Capitalization non-BCBS Managed Care companies: Coventry, HealthNet, Humana, Mid-Atlantic Medical Services and Oxford Health Plans</li> <li>- Blues companies: Anthem, Trigon Healthcare and WellPoint Health Networks</li> </ul> </li> </ul>
<b>Issues</b>	<ul style="list-style-type: none"> <li>► This valuation is before one takes into account the cost and risk associated with the disparate regulatory approval processes</li> <li>► No control premium is reflected in the results of the public market valuation</li> </ul>
<b>Summary Conclusion</b>	<ul style="list-style-type: none"> <li>► Based upon selected multiples, the implied equity value of Chesapeake is between \$1.010 billion and \$1.200 billion <i>on a fully-distributed trading basis</i></li> </ul>



# COMPARABLE COMPANIES ANALYSIS

(Dollars in millions, except per share data)

Company	Price 11/13/01	% of 52 Wk-High	Equity Value	Enterprise Value (1)	P/E Ratio		2002 PEG	Long-Term EPS Growth	Total Deb/ Total Cap.
					2001 PE	2002 PE			
<b>Large Cap Managed Care</b>									
Covington Health Care Inc.	\$21.75	72.7%	\$ 1,496	\$ 1,496	17.9x	15.0x	92.7%	16.2%	0.0%
Health Net, Inc.	\$19.85	73.7%	2,519	3,143	12.6	10.8	85.0%	12.7%	36.0%
Humana, Inc.	\$12.22	77.3%	2,081	2,670	17.7	14.1	108.1%	13.0%	28.7%
Mid Atlantic Medical Services Inc.	\$18.83	81.2%	796	799	13.9	12.0	90.4%	13.3%	1.1%
Oxford Health Plans, Inc.	\$26.55	62.1%	2,565	2,724	9.4	8.5	70.9%	12.0%	23.8%
<b>Large Cap Managed Care Mean</b>					14.3x	12.1x	89.4%	13.4%	17.9%
<b>Blues</b>									
Anthem, Inc.	\$ 42.75	96.5%	\$ 4,465	\$ 5,483	14.3x	11.7x	78.1%	15.0%	33.1%
Trigon Healthcare Inc.	\$ 62.82	77.1%	2,352	2,673	15.4	13.4	87.9%	15.2%	24.9%
WellPoint Health Networks, Inc. (2)	\$ 113.83	93.9%	8,544	9,847	18.3	15.8	101.7%	15.6%	29.9%
<b>Blues Mean</b>					16.0x	13.6x	89.2%	15.3%	29.3%
<b>Overall Mean</b>					14.9x	12.7x	89.4%	14.1%	22.2%

Note: Source for EPS estimates and long-term EPS growth rates is First Call.

(1) Assumes \$0 for excess cash.

(2) Pro forma for the pending acquisition of RightCHOICE.

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# VALUATION BASED ON PUBLIC COMPARABLE COMPANIES

**As part of our valuation analysis, CSFB imputed a range of values for Chesapeake based on a multiple reference range derived from comparable publicly-traded large capitalization managed care and Blue Cross Blue Shield Companies.**

Equity Value / (\$ in millions)	Chesapeake Data		CSFB Reference Range		Implied Chesapeake Equity Value <sup>(3)</sup>	
	Low	High	Low	High	Low	High
2001E Net Income (1) (2)	\$67.3		14.0x	—	16.0x	
2002E Net Income (1) (2)	80.4		12.0	—	14.0	

(1) Assumes a 38.0% effective tax rate.  
 (2) Source: Chesapeake management.

(3) Implied equity value includes a \$293.8 million projected NOL estimated to be worth between \$68.3 million and \$72.1 million on a PV basis. Analysis assumes mid-point of range.

# COMPARABLE M&A TRANSACTIONS ANALYSIS OVERVIEW

## Methodology

- To determine the value of Chesapeake using the multiples derived from comparable M&A transactions

## Transaction Selection

- CSFB considered selected data from nine comparable M&A transactions since January 1, 1997

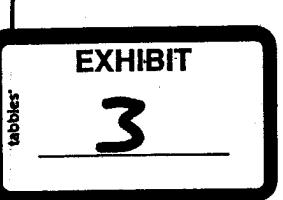
## Issues

- Only two relevant transactions: the acquisition of Cerulean Companies by WellPoint Health Networks and the pending acquisition of RightCHOICE Managed Care by WellPoint Health Networks
- Few transactions in the past several years
- Several transactions involved acquisitions of financially distressed private companies
- Several transactions involved selected books of business from larger companies with limited financial disclosure
- CSFB considered the following factors when determining fair value: (i) private company status; (ii) uncertainty of conversion to for-profit, stock corporation structure; (iii) uncertainties associated with multi-jurisdictional approvals; (iv) extended duration of Pacific's financial commitment; (v) cost, time and effort to effect closure; and (vi) Pacific's extended exposure to an interloper without commensurate deal protection
- CSFB believes that an approximate reference range for Chesapeake's equity value is between \$1.170 billion and \$1.580 billion

## Summary Conclusion

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# COMPARABLE M&A TRANSACTION VALUATION RANGES

	Chesapeake Data (1) (\$ in millions)	CSFB Reference Range		Implied Chesapeake Equity Value (2)(3)	
		Low	High	Low	High
<b>Enterprise Value /:</b>					
LTM EBITDA	\$145.5	8.5x	—	10.5x	\$1,289 — \$1,580
LTM EBIT	106.5	10.5	—	12.5	1,171 — 1,384
<b>Equity Value /:</b>					
LTM Net Income	\$68.3	18.0x	—	20.0x	\$1,294 — \$1,431
NTM Net Income	78.7	14.0	—	16.0	1,166 — 1,323

(1) Source: Chesapeake management.

(2) Implied equity value includes a \$264.2 million projected NOL estimated to be worth between \$62.8 million and \$66.1 million on a PV basis. Analysis assumes mid-point of range.

(3) Assumes \$12.0 million in debt.

# COMPARABLE M&A TRANSACTION ANALYSIS<sup>(1)</sup>

*(Dollars in millions)*

Acquirer / Target	Date Announced	Enterprise Pur. Price	Enterprise Purchase Price /:		Equity Pur. Price /:	
			LTM EBITDA	LTM EBIT	LTM NI	NTM NI
Wellpoint Health Networks Inc. / RightCHOICE Managed Care (1)	10/18/2001	\$1,356	12.6x	15.8x	24.7x	20.5x
Wellpoint Health Networks Inc. / Cenjean Companies, Inc. (2)	11/29/2000	700	10.0x	12.1x	20.5x	NA
BCBS Texas / Texas NYLCare	9/14/1999	500	NA	NA	NA	NA
Aetna, Inc. / Prudential HealthCare	12/10/1998	1,000	NA	NA	NA	NA
Aetna, Inc. / NYL Care	3/16/1998	1,050	NA	NA	NM	NA
Coventry Health / Principal Health Care	11/4/1997	375	NA	NA	NA	NA
Humana, Inc. / Physician Corporation of America	6/3/1997	404	NM	NM	NM	NA
Foundation Health Systems, Inc. / Physicians Health Services, Inc.	5/8/1997	279	NM	NM	NM	NM
Cigna Corporation / Healthsource, Inc.	2/28/1997	1,652	16.5x	26.9x	46.3x	27.2x

(1) Pending.  
(2) Assumes a 40% effective tax rate for Cenjean.

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# DISCOUNTED CASH FLOW ANALYSIS OVERVIEW

**Discounted cash flow analysis is dependent on several key assumptions:**

<b>Methodology</b>	► To determine the present value of the projected after-tax free cash flows of Chesapeake utilizing a forward P/E exit multiple to calculate terminal value and a range of discount rates plus the present value of the projected tax benefit of the Chesapeake net operating losses		
<b>Variables</b>	<b>VARIABLE</b>	<b>SELECTED RANGES</b>	<b>BASIS</b>
	I. Forward P/E Multiple (2006)	▲ 12.5x - 14.5x	▲ Public Company Analysis
	II. Discount Rate Range	▲ 12% - 16%	▲ WACC Analysis
<b>Comments</b>	<ul style="list-style-type: none"> <li>► Source of projections: Chesapeake management for 2001-2002; CSFB estimates based on Chesapeake management guidance for 2003-2006</li> </ul>		
<b>Issues</b>	<ul style="list-style-type: none"> <li>► This valuation is before one takes into account the cost and risk associated with the disparate regulatory approval processes</li> </ul>		
<b>Summary Conclusion</b>	<ul style="list-style-type: none"> <li>► Based on this analysis, the implied equity value of Chesapeake is between \$1.200 billion and \$1.525 billion</li> </ul>		



# DISCOUNTED CASH FLOW ANALYSIS

	Projected Fiscal Years Ending December 31,					5-year CAGR
	2001	2002	2003	2004	2005	2006
Total Revenues (1)	\$3,938.6	\$4,275.9	\$4,703.5	\$5,173.8	\$5,691.2	\$6,260.3
Growth	—	8.6%	10.0%	10.0%	10.0%	10.0%
Net Income (2)	\$67.3	\$80.4	\$92.5	\$106.4	\$122.3	\$140.7
Growth	—	19.5%	15.0%	15.0%	15.0%	15.0%
Margin	1.7%	1.9%	2.0%	2.1%	2.1%	2.2%
Adjusted Net Income	\$67.3	\$78.8	\$88.9	\$100.6	\$114.0	\$129.5
Growth	—	17.0%	12.8%	13.1%	13.4%	13.6%
Margin	1.7%	1.8%	1.9%	1.9%	2.0%	2.1%
Free Cash Flow	\$67.3	\$78.8	\$88.9	\$100.6	\$114.0	\$129.5
Period	0.25	1.25	2.25	3.25	4.25	
Discount Factor	0.9678	0.8489	0.7447	0.6532	0.5730	
Present Value of Future Free Cash Flows	\$16.3	\$66.9	\$66.2	\$65.7	\$65.3	
	<b>\$280.4</b>					

Note: 2001-2002 projections per Chesapeake management. 2003-2006 projections are CSFB estimates based on guidance from Chesapeake management.

(1) Excludes investment income.

(2) Assumes 38.0% effective tax rate and no NOL benefits. NOL benefits are included in the Adjusted Equity Value below.

(3) Free Cash Flow is defined as the lesser of the adjusted net income and the excess surplus. Excess surplus is defined as total reserves plus adjusted net income less required statutory surplus (10.0% of premiums earned).

Forward P/E Multiple Terminal Value	Sensitivity Analysis		
2006 Adj. Net Income	\$129.5	12.5x	13.5x
Terminal Value Forward Net Income Multiple	13.5x		14.5x
Terminal Equity Value	\$1,748.8		
Discount Rate	14.0%	12.0%	
Discount Factor	0.5730	0.6444	
Present Value of Terminal Equity Value	\$1,002.1	1,320	\$1,524
Present Value of Future Free Cash Flows	280.4	1,397	1,474
Equity Value	\$1,282.4	1,278	1,353
Plus: NOL at midpoint	70.1	1,238	1,427
Adjusted Equity Value	1,352.6	1,310	1,381
		1,269	1,338

# MERGER CONSEQUENCES

	Pacific Stand-Alone (1)	RightCHOICE (2)	Pacific Pro Forma for Chesapeake (3)(4)	RightCHOICE and Chesapeake
2002 Pre-Deal EPS	\$7.15	\$7.15	\$7.15	\$6.93
Pro Forma 2002 EPS	--	6.93	7.28	7.06
Accretion / (Dilution) \$	--	(\$.022)	.013	.013
Accretion / (Dilution) %	--	(3.1%)	1.8%	1.9%
Break-even Pre-Tax Synergies / (Cushion)	--	\$28.2	(\$15.8)	(\$18.6)

(\$ in millions, except per share data)

- (1) Pacific projections per Morgan Stanley equity research.
- (2) RightCHOICE projections per UBS Warburg equity research.
- (3) Chesapeake projections per Chesapeake management.
- (4) Assumes no transaction related amortization expense.

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